

Message Text

UNCLASSIFIED

PAGE 01 TOKYO 06604 060949Z

66

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 /102 W

----- 096106

R 060902Z MAY 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 8955

DEPARTMENT OF TREASURY WASHDC

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMCONSUL HONG KONG

USMISSION OECD PARIS

UNCLAS TOKYO 6604

PASS FEDERAL RESERVE, LABOR AND EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - WEEK OF APR
29-MAY 6

1. SUMMARY: LIMITED NUMBER OF STATISTICAL RELEASES ISSUED
DURING HOLIDAY-STUDDERED "GOLDEN WEEK" INDICATE THAT INCREASE
IN DOMESTIC DEMAND GENERATED BY RECENT UPSWING IN EXPORTS
AND PRODUCTION REMAINS RELATIVELY MODEST. PRIVATE ORDERS
FOR CONSTRUCTION DID NOT ADVANCE IN MARCH BUT MERELY CONSOLIDATED
GAINS OF PREVIOUS MONTH. OVERTIME CONTINUED TO RISE BUT RATE OF
INCREASE IS SLOWING. SHARP APRIL RISE IN CPI HAS RENEWED GOJ
CONCERN ABOUT INFLATION, MAKING MOF RELUCTANT TO ACCELERATE
PUBLIC CONSTRUCTION WORKS. IN EXTERNAL SECTOR, OFFICIAL RESERVES
RECORDED ANOTHER SHARP INCREASE IN APR AND REGAINED PRE-OIL
CRISIS LEVEL OF

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TOKYO 06604 060949Z

INCREASE IN APR AND REGAINED PRE-OIL CRISIS LEVEL OF

\$15 BIL. DISCOUNT ON FORWARD DOLLAR CONTINUES TO INDUCE INFLOW OF ARBITRAGE FUNDS TO TREASURY BILLS, AND DOMESTIC INTEREST RATES APPEAR TO BE FIRING SLIGHTLY. END SUMMARY.

2. ORDERS FOR NEW PUBLIC CONSTRUCTION ROSE SHARPLY IN MARCH ON SEASONALLY ADJUSTED BASIS. PRIVATE ORDERS FOR CONSTRUCTION WERE VIRTUALLY UNCHANGED, CONSOLIDATING VERY LARGE 23 PERCENT INCREASE OF PREVIOUS MONTH. DESPITE MARCH INCREASE, FIRST QUARTER ORDERS FOR GOVT AND PUBLIC CONSTRUCTION WORKS (JEI 324) WERE LOWEST SINCE APR-JUNE 74 QUARTER. INCREASE APPEARS TO INDICATE DELAYED IMPACT OF GOJ SUPPLEMENTAL BUDGET PASSED IN DEC 75. FURTHER INCREASES ARE LIKELY TO BE LIMITED BY FISCAL WOES OF LOCAL GOVT BODIES, DELAY IN PASSAGE OF GOJ BUDGET FOR JF 76, AND MOF HESITANCY IN ACCELERATING CONTRACT LETTING NOW THAT PRICE RISE HAS ACCELERATED. NEW CONSTRUCTION ORDERS PLACED BY PRIVATE FIRMS (JEI 325) DURING JAN-MAR WERE UP NEARLY 15 PERCENT FROM PREVIOUS QUARTER TO REACH HIGHEST LEVEL SINCE FIRST QUARTER OF CY 75.

NEW CONSTRUCTION ORDERS, SEASONALLY ADJUSTED
(BIL YEN; PERCENT CHANGE FROM PRIOR MO IN PAREN)

	GOVT/PUBLIC	PRIVATE
JAN	209.0 (-6.4)	220.8 (-5.0)
FEB	188.5 (-9.8)	272.4 (23.4)
MAR	217.9 (15.6)	269.3 (-1.1)

3. INDEX OF OVERTIME WORKED IN MANUFACTURING (JEI 401) ROSE 3.9 PERCENT IN MARCH. WITH TENTH CONSECUTIVE MONTHLY INCRASE, THE INDEX HAS RISEN 45 PERCENT SINCE HITTING BOTTOM IN MAR 75 AND IS NOW BACK TO LEVEL OF MID-1974, WHEN CURRENT RECESSION WAS IN EARLY STAGE. NVERTHELESS, INDEX REMAINS 28 PERCENT BELOW LEVEL OF NOV 1973, PEAK OF JAPAN'S PREVIOUS BOOM. MARCH INCREASE WAS SIGNIFICANTLY SMALLER THAN GAINS REGISTERED IN PREVIOUS TWO MONTHS AND MAY INDICATE THAT SPEED OF CURRENT PICKUP IS SLOWING SLIGHTLY.

(INDEX, 1970-100, S.A) (PCT CH FROM PRIOR MO)

JAN	54.8	6.4
FEB	59.7	8.7

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TOKYO 06604 060949Z

MAR	62.0	3.9
-----	------	-----

4. TOKYO CPI ROSE 2.7 PERCENT IN APRIL, PUTTING YEAR-OVER-YEAR INCREASE BACK INTO TWO-DIGIT RANGE. HOWEVER, MARCH FIGURES FOR NATIONAL CONSUMER PRICE INDEX SHOW ANNUAL RISE DURING JFY 75 WAS 8.8 PERCENT, ALLOWING GOJ TO CLAIM SUCCESS IN MEETING ITS PLEDGE TO HOLD ANNUAL RISE IN CONSUMER PRICES BELOW 10 PERCENT. FINMIN OHIRA ATTRIBUTED APRIL JUMP IN

TOKYO CPI (JEI 422) TO SHARP INCREASES IN VEGETABLE PRICES AFTER UNSEASONABLY COOL WEATHER, AND LARGE INCREASES IN TUITION AND OTHER EDUCATIONAL EXPENSES AT BEGINNING OF JAPAN'S SCHOOL YEAR.

INDEX (1970-100, N.S.WQM) (PCT CH FROM PRIOR MO)

FEB	181.2	0.8
MAR	182.1	0.5
APR	187.1	2.7

5. OFFICIAL RESERVES ROSE VERY SHARPLY BY \$755 MIL IN APRIL, TO RECORD FOURTH CONSECUTIVE MONTHLY RISE. JAPAN'S PUBLISHED FOREX RESERVES TOTALED \$14,937 MIL AT END OF APRIL AND RECOVERED TO THE LEVEL BEFORE THE OIL CRISIS IN FALL OF 1973. NEWS REPORTS ATTRIBUTED APRIL INCREASE TO BOJ MARET PURCHASES OF \$600 MIL IN ITS ATTEMPT TO PREVENT SHARP APPRECIATION OF THE YEN AGAINST DOLLAR DURING EARLY APRIL. MOF OFFICIAL CITED JAPAN'S STRONG B/P POSIION IN APRIL. LONG-TERM CAPITAL ESTIMATED TO HAVE SHIFTED TO NET INFOW IN APRIL WHILE NET PAYMENTS FOR SERVICES AND TRANSFERS PROBABLY SMALLER TAN IN PREVIOUS MONTH.

6. INFLOWS OF ARBITRAGE FUNDS TO PURCHASE TWO-MONTH TREASURY BILLS WERE VERY HEAVY AGAIN IN APRIL AND ADDED TO DOLLAR FOREX RECEIPTS. FOREIGN PURCHASES OF TWO-MONTH GOJ TREASURY BILL ISSUES REPORTEDLY EXCEEDED \$400 MIL IN APRIL, COMPARED TO NET FOREIGN PURCHASES OF \$90 MIL AND \$200 MIL IN JAN AND FEB THIS YEAR, RESPECTIVELY. BULLISH FOREIGN BUYING ATTRIBUTED TO HIGHER INTEREST RATES IN JAPAN (5.423 PERCENT PER ANNUM FOR TWO-MONTH TB'S, EFFECTIVE RATE) THAN IN U.S. (4.8 TO 4.9 PERCENT FOR 3-MONTH TB'S) OR IN EURDOLLAR MARKET (5.1 TO 5.5 PERCENT FOR TWO-MONTH EURO-DOLLAR RATES). IN ADDITION, PREMIUM FOR SELLING FORWARD UNCLASSIFIED

UNCLASSIFIED

PAGE 04 TOKYO 06604 060949Z

YEN AGAINST SPOT ATTRACTED ARBITRAGE FUNDS ABROAD, ACCORDING TO PRESS REPORTS. LOCAL SECURITIES COMPANIES SAID MAJOR BUYERS OF TWO-MONTH TB'S IN APRIL WERE MEDIUM-SIZED U.S. BANKS RATHER TAN EUROPEAN BANKS AS IN PREVIOUS MONTHS. MOF AND BOJ HAVE CURRENTLY RESTRICTED FOREIGN INVESTMENT IN GOJ SHORT-TERM BILLS TO APPROXIMATELY \$55 MIL PER BUINESS DAY.

7. YIELDS BOTH ON TELEPHONE AND TELEGRAPH BONDS AND CORPORATE BONDS CONTI UED TO RISE IN APRIL DESPITE USUAL SEASONIL DECLINE IN FINANCING. ONLY GOJ BOND YEIELDS DECREASED DURING APRIL, BY 0.032 PERCENTAGE POINTS TO 8.675 PERCENT PER ANNUM AT END OF MONTH. YIELDS ON TELEPHONE AND TELEGRAPH BONDS, ON THE OTHER HAND, CONTINUED TO RISE IN APRIL, RATHER SHARPLY, BY 0.142 PERCENTAGE POINTS

TO 8.963 PERCENT; INCREASE CAME ON TOP OF 0.126 PERCENTAGE
POINT RISE IN PRIOR MONTH. CORPORATE BOND YIELDS ALSO
CONTINUED TO RISE IN APRIL, THOUGH LESS SHARPLY THAN FOR
GOV BONDS. THE OFFICIAL SAID RISING BOND YIELDS REFLECTED
MARKET ANTICIPATION OF LESS EASE IN GOV MONETARY POLICY.
THEREFORE LONG-TERM RATE CUT IS CONSIDERED UNLIKELY IN NEAR
FUTURE DESPITE EARLIER NEWS REPORTS OF SUCH POSSIBILITY.
BOJ CONCERN ABOUT RISING WPI AND SHARPER INCREASE IN MONEY
SUPPLY ALSO APPEARS TO HAVE AFFECTED APRIL BOND MARKET.
BOND YIELDS, YIELDS TO MATURITY
(YIELDS IN PERCENT; AT MONTH-END)

	TELEPHONE	AND	CORPORATE
	GOV BONDS	TELEGRAPH BONDS	BONDS
FEB	8.612	8.695	8.740
MAR	8.707	8.821	8.741
APR	8.675	8.963	8.772

HODGSON

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, ECONOMIC CONDITIONS, ECONOMIC DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 06 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976TOKYO006604
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760175-0660
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760583/aaaacsyw.tel
Line Count: 186
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: schwenja
Review Comment: n/a
Review Content Flags:
Review Date: 15 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 JUN 2004 by wolfsd>; APPROVED <14 SEP 2004 by schwenja>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL AND ECONOMIC DEVELOPMENTS - WEEK OF APR 29-MAY 6
TAGS: EFIN, JA
To: STATE TRSY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006